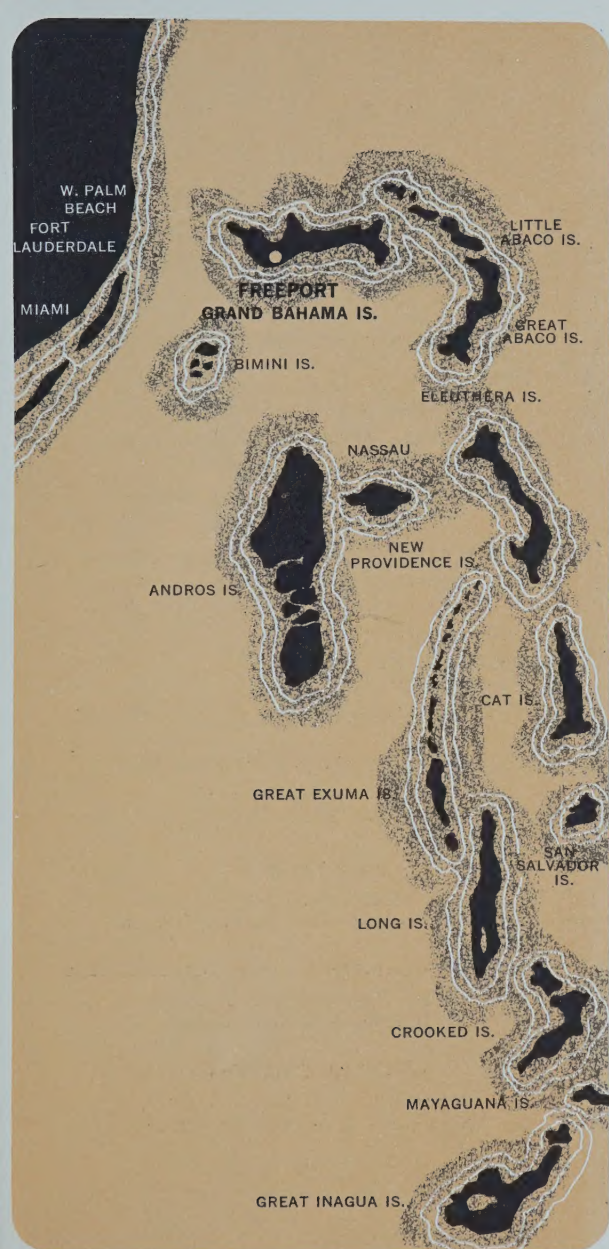


1965

ANNUAL
REPORT

GRAND BAHAMA INDUSTRIES LIMITED · SUBSIDIARY & ASSOCIATED COMPANIES





TO THE SHAREHOLDERS:

The Directors have pleasure in submitting the report and consolidated financial statements of Grand Bahama Industries, Limited and its subsidiary and associated companies, for the fiscal year ended September 30, 1965. In order to present a complete statement of the holdings and operations of Grand Bahama Industries, Limited the statements have been consolidated on the basis of including all subsidiaries in which your company has a majority interest, and certain associated companies for which the company provides management and other services.

Net profit of all consolidated companies for the fiscal year ended September 30, 1965, is \$203,306 or 10.3¢ per share. This compares with \$151,960 for the previous fiscal year which amounts to 9.2¢ per share.

The year ended September 30, 1965, was a significant one in the history of your Company. The year saw the completion of the Bellevue Court Apartments and the construction of the 168 room Oceanus Hotel. Both projects were constructed by a subsidiary company, Grand Bahama Builders, Limited, and were completed on schedule—Bellevue on June 1st and the Oceanus on December 1st.

The management team which has been developed on the island was very active during the year and was further strengthened by additions and changes in the staff. In June of 1965, an 85% interest was purchased in Grand Bahama Charter Boats, Limited, a company operating a fleet of charter fishing vessels. Dock facilities were constructed within a short walking distance of the three main hotels in Lucaya. A 300,000 gallon sewage treatment plant was designed, constructed and began operating towards the end of the year. The plant is designed to eventually handle the requirements of all present and future developments in the Bell Channel Bay area of Lucaya. A community television antennae cable system is planned and is now in the process of installation.

As evidence of your management's ability to initiate and develop new enterprises to a point where they become attractive to other groups, your Company's interests in Freeport Structural and Decorative Plastics, Limited was sold during the year at a profit. On September 30th, 33⅓% of our interest in Grand Bahama Theatres was sold to Wometco International, Limited (a subsidiary of Wometco Enterprises, Inc. of Florida) operators of many cinemas, television broadcasting stations, bottling plants and other leisure time enterprises. Another 33⅓% interest was sold to prominent Bahamian interests who own many diversified interests in the Bahamas. Plans are presently underway by our new theatre group, for the construction of an 850 seat enclosed cinema in Freeport, which is expected to open in July, 1966.

These same participants are also associated with us in Grand Bahama CATV, Limited, (the cable television service) Night 'N Day TV Services, Limited and Sea TV, Limited, the latter two companies engaged in the sale, repair and rental of television sets, radio and other electronic communication equipment. We feel that this association will provide considerable scope for future projects involving leisure time activities in the Bahamas.

In October, 1965, a satisfactory agreement was negotiated for the sale of our 50% interest in Realty and Management Corporation (Bahamas), Limited, to the Morgan Trust Company and Combined Estates Corporation of Montreal.

In December, 1965, your company began the construction of a twelve story apartment-hotel, located on the ocean front, to be known as the Ocean House, based upon a design prepared by Aero Hydraulics Corporation of Montreal. It is expected that this apartment-hotel will be open in December of 1966.

Your Company has also planned and carried out the following significant changes in these other operating companies:

Grand Bahama Dairy Products, Limited: New automatic pasteurizing and filling equipment was installed in July, 1965. This equipment has substantially reduced costs and increased the production capacity of the Dairy. Sales have steadily increased as both the population and number of visitors have increased.

Lucaya Nursery and Landscaping, Limited: The development of the company's nursery has now been completed and plant material for landscaping contracts is being produced. This Company has also expanded into the contracting equipment rental field.

Grand Bahama Millwork & Building Supplies, Limited: This Company's 1965 sales increased five times over 1964 sales and several profitable lines have been added to its distributorships. This Company is expected to continue a strong sales and profit trend over the next few years.

Grand Bahama Builders, Limited: The building company's construction volume also increased five times during 1965, its main projects being the Oceanus Hotel and the Bellevue Court Apartments. Over twenty other projects of a smaller size were also successfully completed.

This Company is constructing the Ocean House apartment-hotel for the Sun & Sea Estates, Limited.

The d'Albenas Agency (Grand Bahama), Limited: This Company has recently expanded into modern, new quarters, with up-to-date food handling and storage facilities. It has shown a net profit for the fiscal year ended October 31, 1965, which is more than double the previous year's profit.

For your convenience, an organizational chart of Grand Bahama Industries and its operating subsidiaries and associated companies is included in this report.

Other Developments on the Island: The rapid growth of Freeport is continuing and 1965 saw the opening of the 600 room Holiday Inn; the 450 room King's Inn Hotel, as well as the 168 room Oceanus. A new passenger ship, the M.S. "Lucaya," commenced operations in the latter part of the year bringing tourists to the Freeport area from Miami.

Construction is underway of D. K. Ludwig's multimillion dollar development consisting of an International Shopping Bazaar, a new gambling casino and a 2,000 acre "Bahamia" housing estate with golf course.

There are indications that a considerable amount of British capital will be coming to Grand Bahama in the next two to three years. Several major projects which are still in the planning and development stage have been announced.

The tourist industry has increased rapidly and is expected to become the leading industry in Freeport. As a result, it is anticipated by travel agents and the public alike, that Freeport will soon be a major resort area. A schedule of statistics showing the growth of Freeport has been included in this report for your information.

Events in the past year bear out the promising future of Freeport and Lucaya. The participation of your company in several of the key businesses in the area, resulting from management's experience and knowledge of local conditions, permits us to share this same promise of growth.

Respectfully submitted on behalf of the Board of Directors.

FRANK H. STREAN
Chairman

WILLIAM V. MacINNES
President

GRAND BAHAMA INDUSTRIES LIMITED

and its Operating Subsidiaries and Associated Companies

GRAND BAHAMA INDUSTRIES LIMITED

(Ontario)

100%

GREATER FREEPORT INDUSTRIES LIMITED

(Bahamian)

HAWKSBILL
INDUSTRIES
LIMITED
(Bahamian)
100%

GRAND
BAHAMA
DAIRY
PRODUCTS
LIMITED
(Bahamian)
100%

GRAND
BAHAMA
TIRE and
AUTOMOTIVE
SERVICES
LIMITED
(Bahamian)
100%

GRAND
BAHAMA
MILLWORK
and BUILDING
SUPPLIES
LIMITED
(Bahamian)
100%

LUCAYA
NURSERY
and
LANDSCAPING
LIMITED
(Bahamian)
100%

GRAND
BAHAMA
BUILDERS
LIMITED
(Bahamian)
90%

GRAND
BAHAMA
CHARTERBOATS
LIMITED
(Bahamian)
85%

REALTY and
MANAGEMENT
CORPORATION
(BAHAMAS)
LIMITED
(Bahamian)
OCT. 1, 1965
(Interests Sold)

BELLEVUE
BAHAMA
LIMITED
(Bahamian)
49%

SUN and SEA
ESTATES
LIMITED
OCEAN HOUSE
APARTMENT
HOTEL
(Bahamian)
45%

GRAND
BAHAMA
THEATRES
LIMITED
(Bahamian)
33 1/3%

THE
D'ALBENAS
AGENCY
(GRAND
BAHAMA)
LIMITED
(Bahamian)
40%

GRAND
BAHAMA
BAKERY
LIMITED
(Bahamian)
50%

OCEANUS HOTEL
LIMITED
(Bahamian)
50%

GRAND
BAHAMA
CATV
LIMITED
(Bahamian)
75%

SEA TV
LIMITED
(Bahamian)
60%

NIGHT 'N DAY
TV SERVICES
LIMITED
(Bahamian)
60%

GRAND BAHAMA INDUSTRIES, LIMITED, SUBSIDIARY AND ASSOCIATED COMPANIES — NOTE 1

CONSOLIDATED BALANCE SHEET

AS AT SEPTEMBER 30, 1965

(Stated in Canadian Dollars)

ASSETS

Current assets

Cash	\$ 156,120	
Accounts receivable	808,394	
Inventories—at lower of cost or market	397,568	
Prepaid expenses and deposit	45,331	
Total current assets	1,407,413	

Property, plant and equipment—at cost

less accumulated depreciation—Note 2	6,200,997	
--	-----------	--

Investment in and advances to associated companies

Shares at cost representing 40% interest in The
d'Albenas Agency (Grand Bahama) Limited ..\$ 1,200

Advances	168,533	169,733
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Other assets—at cost

Real estate held for development	126,093	
Loan and second mortgage receivable	26,506	152,599

Deferred charges—at cost less amortization

Organization and development expenses	140,048	
Debenture discount and financing expenses	72,269	212,317

Excess of cost of shares in consolidated subsidiaries

over value assigned to their tangible assets	288,749	
	\$8,431,808	

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

Bank indebtedness	\$ 222,990	
Accounts payable and accrued	973,551	
Deposits on contracts	7,714	
Total current liabilities	1,204,255	

Long term debt—Note 3	4,544,899	
-----------------------------	-----------	--

Minority interest	711,481	
-------------------------	---------	--

Shareholders' equity—Note 4

Capital stock

Authorized

500,000 6% cumulative participating
voting preference shares with a
par value of \$1

2,200,000 common shares without par value

Issued

500,000 preference shares	\$ 500,000	
1,469,600 common shares	1,306,700	
	1,806,700	

Retained earnings	164,473	1,971,173
		\$8,431,808

The accompanying explanatory notes are an integral part of these financial statements.

GRAND BAHAMA INDUSTRIES, LIMITED, SUBSIDIARY AND ASSOCIATED COMPANIES — NOTE 1

**CONSOLIDATED
STATEMENT OF
RETAINED EARNINGS**

FOR THE YEAR ENDED SEPTEMBER 30, 1965

Retained earnings—October 1, 1964.....	\$ 33,822	
Earnings for the year.....	203,306	
	237,128	
Opening deficits (net) of all companies not previously consolidated.....	\$12,997	
Dividends paid—preference shares.....	26,546	
Investment written off.....	8,300	
Amortization of—		
Organization and development expenses.....	16,782	
Debenture discount and financing expenses.....	8,030	72,655
Retained earnings—September 30, 1965.....	\$164,473	

**CONSOLIDATED
STATEMENT OF
EARNINGS**

FOR THE YEAR ENDED SEPTEMBER 30, 1965

Earnings before the following.....	\$299,124	
Add		
Credit arising from sales and purchases of shares in subsidiaries or associated companies.....	119,902	
	419,026	
Deduct		
Interest expense.....	\$126,085	
Depreciation.....	107,518	233,603
Earnings before minority interest.....	185,423	
Minority interest		
Share of losses.....	20,827	
Share of earnings.....	2,944	17,883
Earnings for the year.....	\$203,306	

The accompanying explanatory notes are an integral part of these financial statements.

GRAND BAHAMA INDUSTRIES, LIMITED, SUBSIDIARY AND ASSOCIATED COMPANIES

EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT SEPTEMBER 30, 1965

1. Principles of consolidation

The principle followed has been to consolidate all wholly-owned subsidiaries in which the company has a majority interest and the following associated companies, for which the company provides management and other services:

Share Interest	Company
50%	Grand Bahama Bakery, Limited
49%	Bellevue Bahama, Limited
45%	Sun and Sea Estates, Limited
50%	Realty and Management Corporation (Bahamas), Limited
50%	Oceanus Hotel, Limited
100%	Grand Bahama Theatres, Limited

In 1964, the principle followed was to consolidate all wholly-owned subsidiaries and all subsidiaries in which the company had a majority interest.

A two-thirds interest in Grand Bahama Theatres, Limited was sold by the company as of September 30, 1965.

The accounts of Bahamian Subsidiaries are maintained in Bahamian Sterling and have been converted to Canadian dollars at the rate of \$3.00 to the £.

2. Property, plant and equipment

Land and land improvements.....	\$ 327,900
Buildings.....	478,636
Automotive equipment.....	128,142
Equipment.....	331,044
Boats, motors and tackle.....	151,916
Nursery.....	24,822
Bellevue Court.....	2,462,049
Oceanus Hotel.....	2,484,762
	\$6,389,271
Accumulated depreciation.....	188,274
	\$6,200,997

Bellevue Court opened for occupancy in August, 1965 and Oceanus Hotel will open in December, 1965.

3. Long-term debt

6½% Sinking Fund Debentures, Series A, maturing March 1, 1977; first sinking fund payment of \$35,000 due March 1, 1967.....	\$ 700,000
8% Mortgage—payable in monthly installments and due November 8, 1972.....	28,518
8½% Mortgage—payable in equal monthly installments over a five year period; final payment due June 30, 1971.....	30,000
6% Mortgage—payable in equal monthly installments of U.S. \$1,216.....	52,786
6% Notes—payable in four equal annual installments commencing June 1, 1967.....	34,476
6% Note—payable over a four year period. Final payment October 16, 1968.....	214,286
Bank loans — Bellevue Bahama, Limited.....	1,658,045
Sun and Sea Estates, Limited.....	112,500
Oceanus Hotel, Limited.....	1,714,288
	\$4,544,899

The portion of the above long-term debt falling due within one year, amounts to \$72,051.

The company is presently negotiating with a Canadian chartered bank to convert the loans payable by Bellevue Bahama, Limited and Oceanus Hotel, Limited into mortgage loans.

The company is contingently liable for U.S. \$616,000 under guarantees given jointly and severally with others to a Canadian chartered bank for a loan to be made to Sun and Sea Estates, Limited.

4. Shareholders' equity

During the year, 100,000 preference shares were issued for \$100,000 cash and 222,500 common shares were issued for \$362,500 cash.

The Trust Deed relating to the 6½% Sinking Fund Debenture, Series A, restricts the payment of dividends on common shares unless consolidated earned surplus of the company and its subsidiaries is in excess of \$500,000.

The company has granted options to two officers of the company in respect of an aggregate of 37,500 common shares of the company exercisable in successive periods to June 30, 1968 at an option price of \$1 per share.

AUDITORS' REPORT

TOUCHE, ROSS, BAILEY & SMART

CHARTERED ACCOUNTANTS

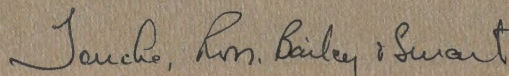
SUN LIFE BUILDING 200 UNIVERSITY AVE. TORONTO 1, ONTARIO

The Shareholders,
Grand Bahama Industries, Limited.

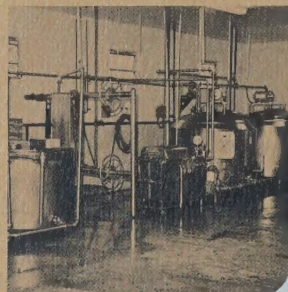
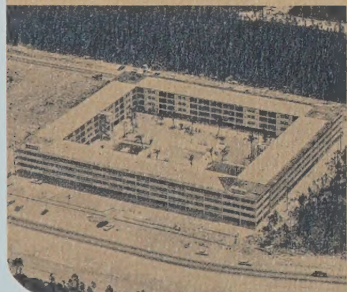
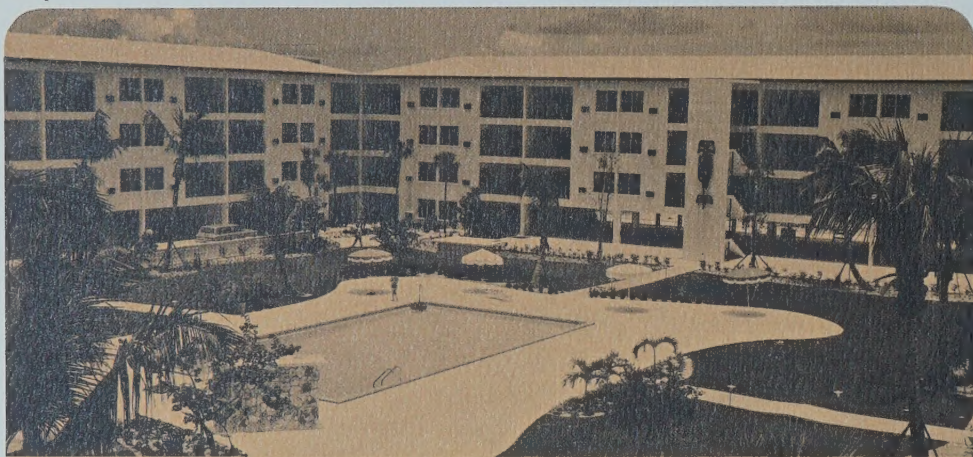
We have examined the consolidated balance sheet of Grand Bahama Industries Limited, subsidiary and associated companies as at September 30, 1965, and the related statements of earnings and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and related statements of earnings and retained earnings present fairly the financial position of the company, subsidiary and associated companies as at September 30th, 1965, and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change (which we approve) in the principle of consolidation referred to in Note 1 to the financial statements.

Toronto, Ontario,
December 13, 1965.



Chartered Accountants.



1. Interior courtyard of Bellevue Court Apartments
2. Aerial view of Bellevue Court, May 1965 as the project neared completion.
3. The largest apartment complex in the Bahamas to date.
View of Bellevue Court from the street.
4. New building . . . new equipment. The expanding facilities of Grand Bahama Dairies.

OPERATIONS 1965

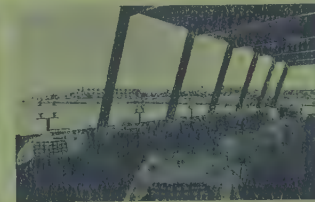
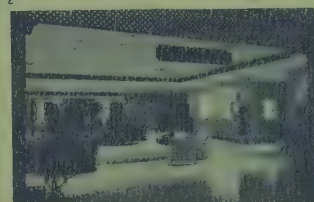
- June 1 Purchase of 85% interest in Grand Bahama Charterboats, Limited, the owner of four charter fishing vessels.
- July 1 124 unit Bellevue Court Apartments constructed and opened two months ahead of schedule.
- July 1 Grand Bahama Dairy building extended and automatic pasteurizing, homogenizing and filling equipment installed.
- September 30 Sale of 66% interest in Grand Bahama Theatres, Limited and approval to build and open an 850 seat cinema.
- September 30 Purchase of interest in Grand Bahama CATV, Limited, Sea T.V., Limited and Night 'N Day T.V. Services, Limited by Grand Bahama Theatres, Limited.
- October 1 Sale of interests in Realty and Management Corporation (Bahamas), Limited.
- November 27 Approval of Construction of Ocean House, an apartment hotel located on the ocean in Lucaya. Opening December, 1966.
- December 1 168 room Oceanus Hotel constructed and opened on schedule for the 1965-1966 winter tourist season.

1. Freeport's newest luxury resort . . . The OCEANUS . . . 168 beautifully appointed rooms and suites, completely air conditioned. The OCEANUS and adjoining UNDERWATER EXPLORERS CLUB opened December 1, 1965.

1

THE OCEANUS

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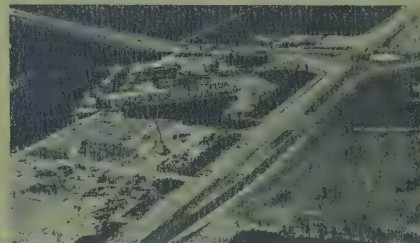
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- 2. The Jimbo Fleet, anchored at the Oceanus Hotel
- 3. Where great vacations begin . . . the Oceanus lobby
- 4. Delightful dining overlooking blue Bahamian waters
- 5. Olympic size swimming pool at the Oceanus
- 6. The beautiful Coral Terrace dining room
- 7. The magnificent Pirate's Den night club.
- 8. The International Underwater Explorers Club features underwater expeditions with professional guides. The club facilities include: training pools, pro shop, photographic and specimen workshops, sauna baths, gym, lounges and The Cousteau Museum.

FREEPORT/LUCAYA The place for a change of pace



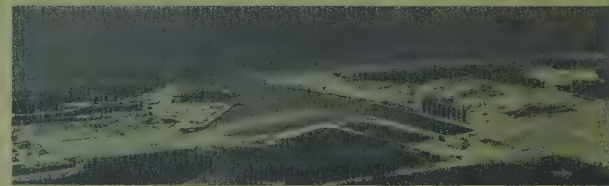
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1. The New World Riviera. Oceanus Hotel in right foreground, Lucayan Beach in left. In the center background GBI's construction site of the new 12-story Ocean House, exclusive apartment hotel.
2. Fabulous new Casino and International Shopping Center Bazaar, focal point of the \$100,000,000 D.K. Ludwig Bahama development.
3. FREEPORT . . . The hub of industrial and tourist development. D.K. Ludwig development in foreground . . . business and residential areas to the right . . . new Jet Strip in background.
4. Bahama Cement Plant (U.S. Steel Subsidiary). A sixty million dollar plant adjoining the Harbour. Coral limerock from harbour excavations used as raw material proves industrial potential in the Bahamas.
5. Bunkering and Harbour operation. The largest off-shore refueling installation in the Western Hemisphere.

FREEPORT

A PATTERN OF GROWTH

	1964	1965	Increase
1. Visitors—Tourist Arrivals.....	109,000	149,000	36 %
2. Population—Freeport only.....	4,500	8,500	89 %
—Grand Bahama.....	14,000	23,000	64.3%
	June	Dec.	
3. Hotel Rooms—Existing.....	1,123	1,837	63.5%
Over 4,000 rooms projected by Dec. 1967			120 %
4. Apartments—December 1965.....	—	1,145	
Under construction.....	—	179	
5. Houses and Duplexes—June 1965.....	—	498	
Under construction.....	—	46	
6. Daily Flights			
Bahamas Airways			
(Between Freeport and Miami)....	14	22	57 %
(Inter Island).....	12	12	—
Mackey Airlines			
(Between Freeport and Florida)....	8	10	25 %
7. Harbour Operations			
Cargo Throughput			
(Imports and Exports).....	349,000T	749,000T	115 %
8. Motor Vehicles Registered			
June 1964 to June 1965—Freeport....	2,118	3,117	47.4%
9. Paved Roadways			
June 1964 to September 65.....	123	287	133 %

(T) Information supplied by local authorities.

CHALLENGE OF THE FUTURE

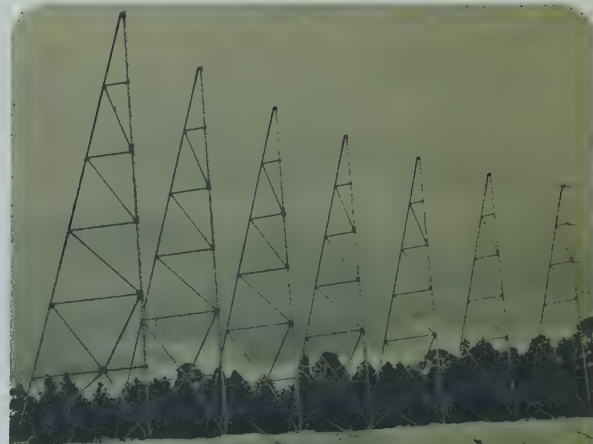


FREEPORT/LUCAYA



1

2



1

Growing with Freeport **GRAND BAHAMA INDUSTRIES, LTD.**

One of the "new breed" in Freeport's mushrooming economy, Grand Bahama Industries, Ltd. has proven itself a prime moving force in the exciting development of one of the most beautiful islands of The Bahamas.

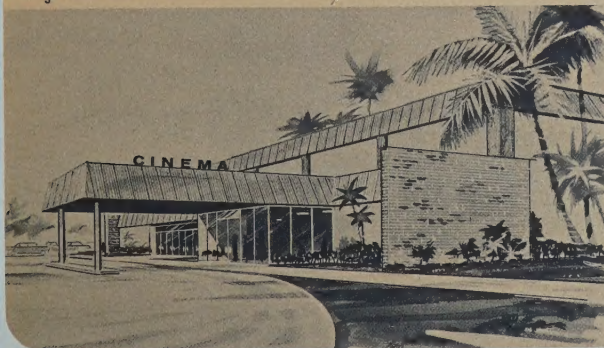
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CHALLENGE OF THE FUTURE



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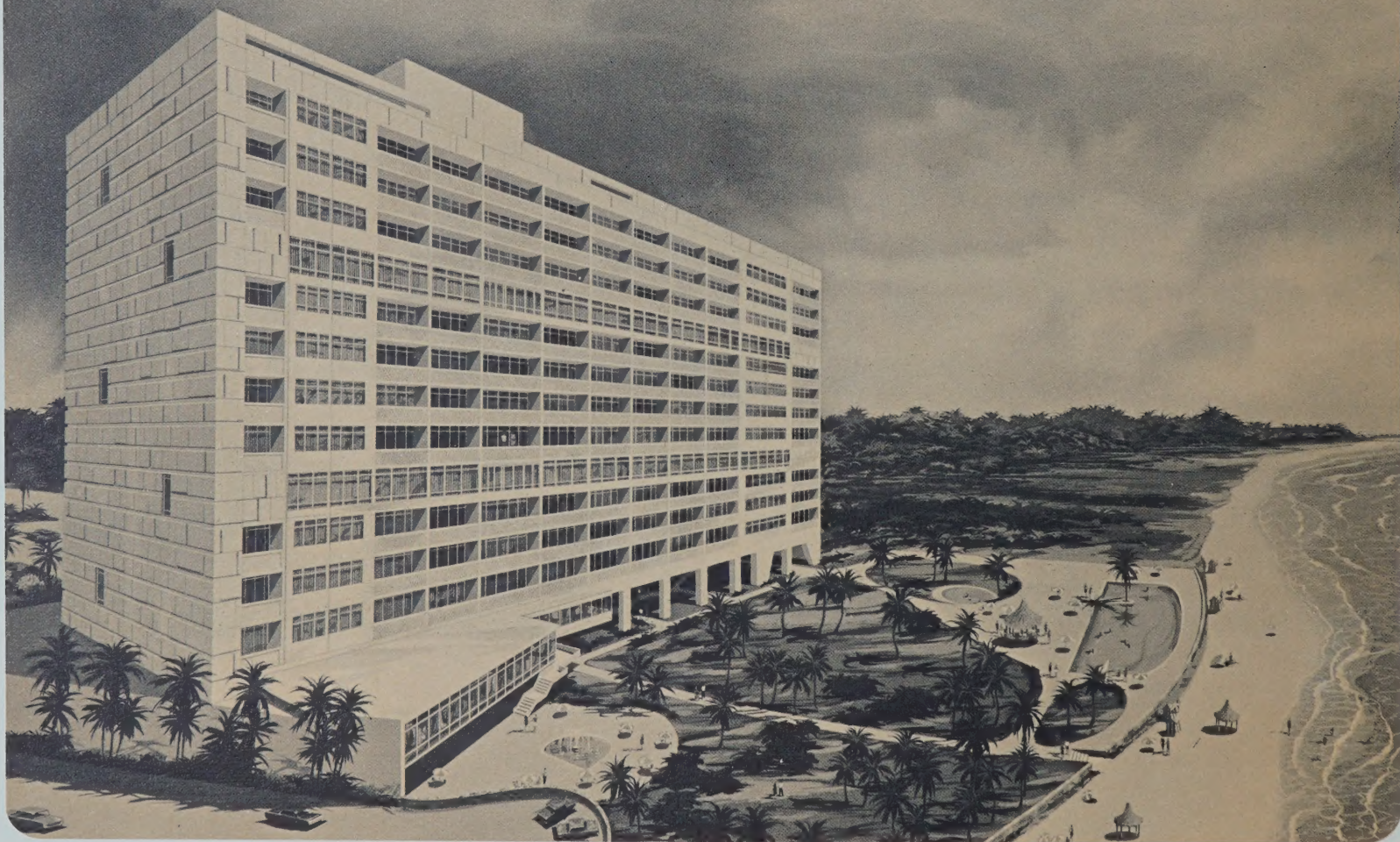
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1. GBI's Community antenna system—tower erection in progress. Perfect TV reception for mid 1966.
2. Birds-eye view of Grand Bahama Island. Treasure Island of the booming Bahamas.
3. Pouring footings for new Ocean House, luxury apartment-hotel.
4. New ultramodern cinema planned for Grand Bahama Theatres, Limited.
5. View of the front of the new OCEAN HOUSE high-rise apartment hotel.

THE OCEAN HOUSE



Ocean side view of the new high-rise apartment-hotel, The
OCEAN HOUSE. Scheduled for opening, December 1966.

CREDITS:

Designed and prepared by
HAYS ADVERTISING ASSOCIATES INC.
Miami, Fla.

Photographs:
E. SKOG
Ernie's Studio
Freeport

C. PETERSON
Underwater Explorers Club
Freeport

